From: Colin McKee <colin.mckee@wyo.gov>
Sent: Monday, August 13, 2018 11:20 AM
To: Tatum Soto; Kari Gray; Dalena Phipps
Subject: Memo for Governor - meeting on 8/15 @ 3pm
Attachments: 20180813IME Meeting with H&H re CAFE Standards - CMc.docx; Proposed Governors Op-Ed.docx

Tatum,
Could you please see that the Governor get this pre-meeting material for his meeting with Matt Micheli and Bob Jenson?

Thank you,

--
Colin McKee
Policy Advisor
Office of Governor Matt Mead
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INTERNAL MEMORANDUM

TO: GOVERNOR MEAD

FROM: COLIN

SUBJECT: **Meeting with Matt Micheli and Bob Jenson re: Federal Corporate Average Fuel Economy (CAFE) Standards**

DATE: **August 15, 2018**

cc: Kari

ACTION REQUIRED? N

PRIORITY: ☐LOW ☐NORMAL ☐**URGENT**

GOVERNOR'S DIRECTION:

- ☐ *Proceed as recommended*
- ☐ *See me.*
- ☐ *Other:*________________________

The U.S. National Highway Traffic Safety Administration, with assistance from U.S. EPA, set fuel efficiency standards for new vehicles, including passenger cars, light trucks and heavy-duty trucks. This program started in 2014 and is broken into phases for implementation. This year, started Phase II, which will go through 2027 and will see fuel economy standards improve throughout. This was a major undertaking during the Obama Administration to lower CO2 emissions from the transportation sector.

On August 2 of this year, EPA and the NHTSA proposed to revise fuel economy standards through years 2021-2026 for passenger cars and light trucks. They are also attempting to rebrand this program and call it the Safer Affordable Fuel-Efficient (SAFE) Vehicle Rule. The NHTSA projects the proposed changes would save our economy over $500 billion and reduce highway fatalities by 12,700 lives when comparing to the current requirements. This would be total savings through 2029, not annual. In addition to lowering fuel economy, standards, the EPA and NHTSA are proposing to eliminate the ability for a state to set its own standards. This is primarily targeted at California. The EPA and NHTSA are accepting comment on the proposed changes for 60-days. I do not believe you have provided comments on this program in the past.

The American Fuel and Petrochemical Manufacturers Association has been shopping around an op-ed which supports the changes and are requesting Governor's to sign on (op-ed attached). So far, to my knowledge, the op-ed has been presented to you and the Governors of New Mexico and Nebraska. I believe Governor Martinez will sign on and know that Governor Ricketts is not going to sign the op-ed. Holland & Hart, through Matt and Bob, represent this Association. Of note, in an email to Governor Ricketts staff (which was forwarded to me), there was a suggestion that you were signing the op-ed. This Association was either making a hard move to get momentum on this op-ed or they did not choose their words wisely. Bob may bring this up.

[DRAFT]

The U.S. Department of Transportation and the U.S. EPA are finally taking meaningful steps to reform the federal automobile standards, commonly known as CAFE. This program, jointly administered by EPA and DOT, determines what kinds of cars consumers are able to purchase.

This top-down mandate is a holdover from the previous Administration and is a long-lasting consequence of the auto bailout.

We are extremely encouraged to see the Trump Administration is taking a hard look at the CAFE mandate and injecting reason, as well as a look to the marketplace to marry earlier expectations of automobile technology with market realities.

This needed and welcome reform will reduce the burden and irrationality of this outdated and unnecessarily complicated mandate. More importantly, it has the potential to maximize consumer choice and reduce the cost of cars and trucks.

As Governors of expansive, western states, we wanted to provide context for how the re-evaluation of the mandate will positively affect our constituents.

The mandate makes cars more expensive. To meet the mandate, automakers often have to sell smaller, less desirable cars at a discount, while increasing prices on larger, more popular cars, crossovers, SUVs, and trucks.

According to the National Auto Dealers Association, the existing mandates under CAFE would cause the price of an average vehicle to increase by $3,000 in 2025.

Even the federal assessments (initially created by the Obama Administration and currently being reviewed by EPA) indicate that the mandate will increase the average price of a vehicle by at least $2,300 and consequently price some consumers entirely out of the new car market.

The DOT has projections that indicate drivers may never recover the costs imposed by the next sequence of mandates. These significant increases in the average price of a vehicle are a hidden regressive tax on American families that make consumers poorer, bureaucrats stronger, and the economy weaker.

The mandate minimizes consumer choice. The fundamental question associated with this mandate is clear: who should decide what cars and trucks you should buy, you and your family or unelected bureaucrats in Sacramento or Washington? The mandate compels automakers to design vehicles and fleets to meet the preferences of regulators rather than consumers.

The mandate gives California a disproportionate say in the mandate. Under the Obama Administration, California was given the ability to essentially set the standard for the entire nation. Automakers agreed to this because they wanted to avoid two different sets of standards and because they had just been bailed out by the Obama Administration.

There is little consumer demand for the small sized cars required under the California mandate. Generally, these cars cost more – in many cases, significantly more – than other vehicles. Because automakers must sell increasing numbers of these cars to consumers nationwide despite the higher costs and low demand, and because fuel economy standards apply not to individual vehicles but to fleets nationwide, the additional costs of these vehicles are borne by all consumers – including consumers in States that have not adopted California's regulations.

This is especially important for States where a large majority of vehicle sales are light trucks, like Wyoming (80%) and Nebraska (60%). The buyers of these vehicles subsidize the purchase of smaller vehicles.

If California wants more expensive cars and trucks, Californians should pay for them.

The mandate fails to recognize our new energy abundance. What started as a mandate designed to reduce imports of oil was changed by the previous Administration to an environmental mandate. Its foundational assumption -- that oil is becoming scarce and needs to be rationed by the government action – has proved false. The entire mandate is a relic of the narrative of scarcity. The surge in American energy production has rendered it moot.

Specific to our states – record production of both shale oil, and production of biofuels has strengthened our ability to export resources across the world and compete in the global economy. The energy supremacy sought by the Trump Administration is being achieved – and that strength should be reflected across federal policies.

The mandate is inefficient and grows government. Congress authorized one regulator, DOT, to carry out the program. Today three different regulators are responsible for implementing the federal mandate (DOT, EPA and California) under three different laws using three different standards. We should reduce regulatory burdens and make regulations work better for consumers, and make sure that consumers make the decisions about what kinds of cars they can and will buy.

Costs to consumers should be minimized, and car buyers should pay for their own car, not someone else's, especially not in another State. Finally, we need to ensure that there is one national standard and that no single State has a disproportionate say in that standard.